



THE CITY OF SAN DIEGO

DATE: August 20, 2009

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor Activity Report – July 2009**

This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of July 2009. It includes the audit reports issued and other accomplishments during this period, the status of current audit projects and activities, and a summary of planned audits that we have not yet started.

Audit Reports and Accomplishments:

- July 10, 2009 – Issued the Performance Audit of the Centre City Development Corporation (CCDC) conducted by Sjoberg Evashenk Consulting Inc. The report contains 24 recommendations for improving CCDC's operations and strengthening City oversight. The report can be found on our website at: <http://www.sandiego.gov/auditor/pdf/ccdcperformanceaudit.pdf>
- July 13, 2009 – Presented to the IROC Finance Subcommittee the City Auditor's role in auditing the Public Utilities Department.
- July 19, 2009 – Issued our agreed-upon procedures review of the Water Department's proposed increase in water rates for San Diego rate payers, pursuant to San Diego County Water Authority rate increases effective January 1, 2010. We verified the mathematical accuracy of the proposed rate increase calculations. The report can be found on our website at: http://www.sandiego.gov/auditor/pdf/Water_rate_review.pdf
- July 20, 2009 – Presented the CCDC audit report to the Audit Committee. The presentation can be found on our website at: http://www.sandiego.gov/auditor/pdf/ccdc_report_presentation.pdf

Audit Reports and Accomplishments (Continued):

- July 20, 2009 – Presented our Fraud Hotline update report for the period July 2008 through March 2009. The presentation can be found on our website at: http://www.sandiego.gov/auditor/pdf/fraudhotline_updatefy09q3.pdf
- July 24, 2009 – Issued our Metropolitan Wastewater Department Contract Compliance Audit report. We made 12 recommendations to improve the Department's review and approval of invoices to reduce the risk of inaccurate billing and payment. We also found that the Department should recoup approximately \$80,500 in overpaid sales tax. The report can be found on our website at: http://www.sandiego.gov/auditor/pdf/wastewater_contract_compliance_report.pdf
- July 28, 2009 – Issued the Fourth and Final Quarterly Fraud Hotline Report for Fiscal Year 2009. The report provided statistics on the number and nature of hotline calls received, and information on any complaints of fraud, waste or abuse that were substantiated or where corrective actions were taken. This report can be found on our website at: http://www.sandiego.gov/auditor/pdf/fraud_q4_fy09.pdf
- July 29, 2009 – Issued Part I of our Performance Audit of the San Diego Housing Commission. We made 19 recommendations to help improve the governance of the San Diego Housing Commission. The audit report can be found on our website at: http://www.sandiego.gov/auditor/pdf/housing_commission_part1.pdf
- July 29, 2009 – Issued Part II of our Performance Audit of the San Diego Housing Commission. We made 12 recommendations to correct issues found related to the Affordable Housing Fund. The audit report can be found on our website at: http://www.sandiego.gov/auditor/pdf/housing_commission_part2.pdf
- July 29, 2009 – Issued the Audit of the San Diego Convention Center Corporation (SDCCC) conducted by Mayer Hoffman McCann P.C. The report contains 11 recommendations for improving SDCCC's governance and compliance with the non-profit "Standards of Excellence". The report can be found on our website at: <http://www.sandiego.gov/auditor/pdf/sdcccreport.pdf>
- July 31, 2009 – Conducted interviews during the month of July to fill the three new positions available within the budget of the Office of the City Auditor.

Current Audits and Activities:

Audit Activity	Status	Target Completion Date
Hiring Process of the Director of Purchasing and Contracting	At the request of the Mayor's Office, the City Auditor has initiated a review of the hiring process of the Director of Purchasing and Contracting. Since all City Auditor staff are currently engaged in audits of high risk City activities, we hired Sjoberg Evashenk Consulting Inc to conduct this audit.	August 2009
Annual Central Stores Inventory Audit FY09	The San Diego Municipal Code Section §22.0501 requires an annual count of inventory in the City storerooms and warehouses. The objective of this audit is to confirm the valuation of Central Stores inventory. We have used approximately 88 audit hours to date and we estimate an additional 32 audit hours will be needed.	August 2009
Proposition 64 Funds Audit	The objective of this requested audit is to determine if Proposition 64 funds are being properly budgeted and used solely for the enforcement of consumer protection laws. We have used approximately 542 audit hours, and the draft audit report is under review by the City Attorney's Office.	September 2009
General Services - Streets Division Roadways Audit (Part I, II, & III)	The objective of this audit is to determine if City streets are being efficiently and effectively maintained by the City. Audit fieldwork is in progress. We have used approximately 538 audit hours to date and we estimate an additional 662 audit hours will be needed to complete this audit that will include three separate audit reports.	September 2009 Part I TBD Part II and III

Current Audits and Activities (Continued):

Audit Activity	Status	Target Completion Date
Purchasing and Contracting – Requisition, Purchase Order and Contract Management	The objective of this audit is to determine if Purchasing and Contracting has sound procurement procedures in place and to evaluate the efficiency and effectiveness of the Department’s procedures. We completed an audit of the contracts associated with the debris removal program to clear homes destroyed in the 2007 wildfires within the scope of this audit. We are now going to audit the Citywide purchasing and contracting procedures. We have used approximately 1,689 audit hours to date and we estimate an additional 411 audit hours will be needed.	TBD
Audit of Internal Control Remediations	The objective of this audit is to test and verify management’s remediation efforts to correct weaknesses identified in the Kroll Report, external auditors’ reports and the Internal Auditor’s reports. We have used approximately 1,962 audit hours, and we estimate an additional 478 hours will be needed. We have tested 78% of the items reported remediated as of December 31, 2007.	TBD
City Treasurer - Investment Activities Audit	The objective of this audit is to determine if investments are being properly handled, accounted for and accurately reported in the City's financial statements. Audit fieldwork is in progress. We have used approximately 188 audit hours to date and we estimate an additional 412 audit hours will be needed.	TBD

Current Audits and Activities (Continued):

Audit Activity	Status	Target Completion Date
Enterprise Resource Planning (ERP) System Implementation Review	<p>The objectives of this audit are to:</p> <p>(a) determine if the City's key financial activities are being adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system and (b) determine if the system was adequately tested prior to implementation.</p> <p>We issued an update audit report on June 11, 2009. Approximately 1,738 audit hours have been used for this review, and we estimate an additional 192 hours will be needed.</p>	<p>TBD</p>
City Treasurer - Delinquent Account Collections Audit	<p>The objective of this audit is to determine if overdue accounts due to the City are being properly noticed, collected, accounted for, and accurately reported in the City's financial statements. Audit fieldwork is in progress.</p> <p>We have used approximately 38 audit hours to date and we estimate an additional 762 audit hours will be needed.</p>	<p>TBD</p>
Purchasing and Contracting - Equal Opportunity Contracting and Labor Compliance Audit	<p>The objective of this audit is to determine the efficiency and effectiveness of the City's equal opportunity contracting and labor compliance. Audit fieldwork is in progress.</p> <p>We have used approximately 359 audit hours to date and we estimate an additional 441 audit hours will be needed.</p>	<p>TBD</p>

Current Audits and Activities (Continued):

Audit Activity	Status	Target Completion Date
Audit of Development Services' Process for the Collection of Public Utilities Fees	The objective of this audit is to determine if Development Services has adequate procedures in place to ensure the proper collection of Public Utilities fees. This audit is in the planning stage, and we have used approximately 42 audit hours.	TBD
Citywide Revenue Audit	The objective of this audit is to assess the risk associated with the various revenues collected by the City, identify revenue categories that have not been audited by the City, and recommend a strategy for auditing revenues based on risk to the City. Furthermore, this audit will review the controls associated with ensuring that the universe of revenue payees is complete, accurate, and up to date. This audit is in the planning stage, and we have used approximately 75 audit hours.	TBD
Disclosure Practices Working Group (DPWG)	City Auditor staff participates in DPWG meetings as an ex officio member. No time was spent participating in various DPWG meetings during the month of July.	On-going

Current Audits and Activities (Continued):

Audit Activity	Status	Target Completion Date
Fraud, Waste and Abuse Hotline	We review and administer the City's Hotline calls that are received. Investigations are performed by the Office of the City Auditor for accusations of material fraud, waste or abuse, and we issue Hotline reports on any fraud related allegations that are substantiated. During the months of July there were approximately four new hotline calls received, and we spent approximately 55 hours conducting investigations.	On-going
Follow-up on Previously Issued Audit Reports – San Diego Data Processing Corporation (SDDPC)	We are performing a follow-up audit on the recommendations made to SDDPC in an audit report issued in 2004, and we are reviewing compensation, budgeting and governance issues. We issued a report on SDDPC's compensation and budgeting practices on May 5, 2009, and the target date to issue the final report on our follow-up of prior recommendations and governance issues is September 2009. We have used approximately 1053 audit hours.	On-going
Follow-up on All Audit Reports Issued in FY08 Through the First Quarter of FY09	We have created a database to track all of our audit recommendations made since FY08. We will be sending memos to City Departments that were audited to determine their status of implementing the audit recommendations made.	On-going

Planned FY09 Audits Not Yet Started:

Planned Audit	Description	Estimated Audit Hours
Risk Management - Public Liability and Loss Recovery Audit	The objective of this audit is to determine if public liability and loss recovery is being properly handled, accounted for and accurately reported in the City's financial statements.	800
City Treasurer - Parking Meter Operations Audit	The objective of this audit is to determine if the collections for parking meters is being properly accounted for and efficiently and effectively handled.	600



Eduardo Luna
City Auditor

cc: Honorable Mayor Jerry Sanders
Honorable City Council Members
Jay M. Goldstone, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst
Stanley Keller, Independent Oversight Monitor